

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

**State of Michigan
35th Judicial District Court**

**Financial Report
with Supplemental Information
December 31, 2006**

State of Michigan 35th Judicial District Court

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Plante & Moran, PLLC
Suite 400
1000 Oakbrook Drive
Ann Arbor, MI 48104
Tel: 734.665.9494
Fax: 734.665.0664
plantemoran.com

Independent Auditor's Report

To the Judges
State of Michigan 35th Judicial District Court

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the fiduciary fund information of State of Michigan 35th Judicial District Court (the "Court"), which collectively comprise the Court's basic financial statements as of and for the year ended December 31, 2006. These financial statements are the responsibility of the State of Michigan 35th Judicial District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the fiduciary fund information of State of Michigan 35th Judicial District Court and the respective changes in financial position thereof for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Judges
State of Michigan 35th Judicial District Court

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moreau, PLLC

May 24, 2007

State of Michigan 35th Judicial District Court

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2006

General Fund -
Modified and Full
Accrual Basis

Assets

Cash and cash equivalents (Note 2)	\$ <u>893,392</u>
------------------------------------	-------------------

Liabilities

Accrued and other liabilities	\$ 59,658
Due to 35th District Courthouse Authority	161,254
Excess operating revenue on behalf of:	
City of Plymouth	54,069
Plymouth Township	61,743
City of Northville	28,700
Northville Township	112,640
Canton Township	44,276
Compensated absences due within one year	180,113
Compensated absences due in more than one year	<u>190,939</u>
Total liabilities	\$ <u>893,392</u>

State of Michigan 35th Judicial District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2006

	General Fund - Modified and Full Accrual Basis
Revenue	
Fines and fees collected from within:	
City of Plymouth	\$ 342,533
Plymouth Township	452,567
City of Northville	202,795
Northville Township	678,100
Canton Township	1,855,070
Total fines and fees revenue	3,531,065
Probation, interest, and other revenue	1,128,883
Total revenue	4,659,948
Expenditures	
Court expenditures:	
Shared expenditures:	
Salaries and wages	1,923,661
Employee benefits	960,851
Contractual services	136,541
Occupancy expenses	784,920
Insurance	32,592
Printing, postage, and office supplies	96,999
Equipment services, leases, and maintenance	49,638
Travel, education, and training	25,203
Other expenditures	39,039
Total shared expenditures	4,049,444
Jail fees	78,778
Jury and witness fees	7,972
Total jail, jury, and witness fees	86,750
Distributions to local units (Note 5):	
Advance payments - Net of amount due from the District Control Unit	222,326
Payments made subsequent to year end	301,428
Total distributions to local units	523,754
Total expenditures	4,659,948
Excess of Revenue Over Expenditures	-
Fund Balance/Net Assets - Beginning of year	-
Fund Balance/Net Assets - End of year	\$ -

The Notes to Financial Statements are an
Integral Part of this Statement.

State of Michigan 35th Judicial District Court

Fiduciary Funds Statement of Net Assets December 31, 2006

	Agency Funds	
	Depository	Bond
Assets		
Cash and cash equivalents (Note 2)	\$ 172,424	\$ 211,002
Due from bond fund	<u>5,363</u>	<u>-</u>
Total assets	<u>\$ 177,787</u>	<u>\$ 211,002</u>
Liabilities		
Civil trust bond payable	\$ 26,874	\$ -
Due to depository fund	-	5,363
Appearance bonds payable	-	205,639
Due to State of Michigan	127,098	-
Due to Wayne County Treasurer	<u>23,815</u>	<u>-</u>
Total liabilities	<u>\$ 177,787</u>	<u>\$ 211,002</u>

State of Michigan 35th Judicial District Court

Notes to Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies

State of Michigan 35th Judicial District Court (the "Court") serves the cities of Northville and Plymouth and the charter townships of Canton, Plymouth, and Northville, which are members of the Court. The Court oversees and processes items relating to traffic violations, criminal and civil infractions, and small claims filings. It also provides probation oversight and related services.

The accounting policies of State of Michigan 35th Judicial District Court conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

Reporting Entity

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Court's basic financial statements include both the Court's full accrual financial statements and modified accrual financial statements. Because of the nature of the Court's operations, there are no differences between the methods. Nonetheless, the methods are described below for general information.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which are described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. There are no adjustments necessary to convert State of Michigan 35th Judicial District Court to the full accrual basis of accounting.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Court has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Modified Accrual Financial Statements

The Court's modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Court.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the financial statements in this report, into generic fund types in two broad categories as follows:

Governmental Fund

General Fund - The General Fund contains the records of the ordinary activities of the Court that are not accounted for in another fund. The General Fund includes the general operating expenditures of the Court, which consist mainly of salaries and fringe benefits for court employees. Revenue is derived primarily from the Court's share of fines and costs associated with the traffic and criminal divisions, filing fees assessed for civil and small claim filings, and probationary fees. In addition, the General Fund includes the restitution payable account, which receives and holds monies that are subsequently applied as reimbursements to plaintiffs for damaged property.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Court as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Court uses the following Agency Funds:

- **Depository Fund** - This fund receives the Court's and the State of Michigan's share of fines and costs associated with the traffic and criminal divisions and filing fees assessed for civil and small claim filings. The Court's share is transferred out to the General Fund, and the State of Michigan's share is disbursed to the State. In addition, the fund includes the civil trust payable account, which receives and holds monies that are in dispute under a civil filing until the matter is settled. The funds are then remitted to the plaintiff or back to the defendant, as appropriate.
- **Appearance Bond Fund** - This fund receives and holds bond monies from defendants as a promise to appear on an appointed court date. After the court date, the monies are applied to fines and costs, bond costs, forfeitures, and refunds, as appropriate.

Financial Statement Amounts

Cash and Cash Equivalents - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

Compensated Absences (Vacation and Sick Leave) - It is the Court's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in both the modified and full accrual financial statements, in order to charge the communities as it is incurred.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2006

Note 2 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Court has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Court's deposits and investment policies are in accordance with statutory authority.

The Court's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. At year end, the Court had \$107,636 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2006

Note 2 - Cash and Cash Equivalents (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Court has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Sweep accounts	\$ 1,261,000	Unrated	NA

Note 3 - Budget Information

The annual budget is prepared by the judges of the Court and the court administrator and adopted by the board of directors of 35th District Courthouse Authority (the "DCA"); subsequent amendments are approved by the DCA board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2006 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a fund basis. A comparison of actual results of operations to the General Fund budget as adopted by the DCA board is included in the required supplemental information. This comparison includes expenditure budget overruns.

Note 4 - Lease Agreement

The cities of Plymouth and Northville and the charter townships of Plymouth, Northville, and Canton ("District Control Units"), which are members of 35th Judicial District Court, are also members of the DCA. The DCA was established in 1989 upon approval of an interlocal agreement by and among the District Control Units pursuant to the provisions of the Urban Cooperation Act, Act No. 7 of the Michigan Public Acts of 1967, as amended. The purpose of the DCA is, among other items, to establish a joint entity to lease, acquire, own, operate, and dispose of the courthouse for the mutual use and benefit of the District Control Units.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2006

Note 4 - Lease Agreement (Continued)

The Court leased the courthouse from 35th District Courthouse Authority until a fire occurred on July 2, 1997. Although the courthouse was completely destroyed, payments on the lease continued until the lease expired in 2006. The Court will lease the new courthouse from 35th Judicial Building Authority for the amount of the bond payments through 2018. Additionally, the Court will lease computer equipment through 2007.

The following is a schedule of future minimum lease payments under the Court's operating leases:

2007	\$ 356,120
2008	345,175
2009	336,475
2010	327,575
2011	416,175
2012-2016	1,868,812
2017-2020	<u>788,750</u>
Total	<u>\$ 4,439,082</u>

Total rent expense for the year ended December 31, 2006 amounted to \$508,031.

Note 5 - Allocation to Local Units

State of Michigan 35th Judicial District Court judges and board of directors of the District Courthouse Authority have instructed that the expenses of the Court be divided among the five District Control Units in proportion to the volume of cases, including civil, attributable to each District Control Unit. The caseload figures are derived from the venue report obtained from the judicial information system program. Jail fees and jury and witness fees are to be allocated to each District Control Unit on a specific identification basis. Fines and fees collected from within the local units are distributable to the local units net of their allocation of the Court's expenditures.

Note 6 - Postemployment Benefits

The Court provides health care and optical benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 11 retirees are eligible. The Court includes pre-Medicare retirees and their spouses, if eligible, in its insured health care plan, with no contribution required by the participant. The Court purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$102,000.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2006

Note 6 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 7 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Defined Contribution Retirement Plan

The Court provides pension benefits for certain salaried and clerical employees, other than its security officers who are retired police officers, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. New employees are ineligible to join the plan and must join the defined benefit plan.

The defined contribution retirement plan and an agreement between the 35th Judicial District Court and the Michigan Association of Public Employees require the Court to make monthly mandatory contributions totaling 13.5 percent of employees' paid wages as reflected on January 1 of each year. Employees may make voluntary contributions up to a maximum of 10 percent of their annual compensation during each of these years.

In accordance with these requirements, the Court contributed approximately \$95,000 during the year. No employees elected to make contributions during the year. Full vesting takes place after three years of employment for all employer contributions and related account earnings.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2006

Note 9 - Defined Benefit Pension Plan

Plan Description - During the year ended December 31, 2003, the Court began participating in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all new employees of the Court as well as those converting from the defined contribution plan. MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute and maintain MERS for these employees was established by negotiation with the Court's competitive bargaining units. This agreement requires a contribution from the employees of any actuarially required contributions in excess of 13.5 percent.

Annual Pension Cost - For the year ended December 31, 2006, the Court's annual pension cost of \$103,516 for the plan was equal to the Court's required actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004 using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, (b) projected salary increases of 4.5 percent per year plus a percentage attributable to seniority/merit, and (c) postretirement benefit increases of 2.5 percent annually. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a normal basis. The remaining amortization period is 30 years.

	December 31		
	2006	2005	2004
Annual pension cost	\$ 103,516	\$ 98,395	\$ 86,125
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

	Actuarial Valuation as of December 31		
	2006	2005	2004
Actuarial value of assets	\$ 2,329,066	\$ 1,959,691	\$ 1,634,708
Actuarial accrued liability (entry age)	2,953,143	2,454,250	2,109,254
Unfunded AAL (UAAL)	624,077	494,559	474,546
Funded ratio	79%	80%	78%
Covered payroll	\$ 712,545	\$ 612,297	\$ 687,020
UAAL as a percentage of covered payroll	88%	81%	69%

Required Supplemental Information

State of Michigan 35th Judicial District Court

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue				
Fines and fees	\$ 3,448,000	\$ 3,448,000	\$ 3,531,065	\$ 83,065
Probation, interest, and other revenue	1,087,172	1,087,172	1,128,883	41,711
Total revenue	4,535,172	4,535,172	4,659,948	124,776
General Expenditures				
Salaries and wages:				
Judicial and staff	561,036	561,036	547,539	13,497
Administrative	486,645	486,645	441,523	45,122
Clerical	739,008	734,008	661,410	72,598
Probation	243,810	243,810	273,189	(29,379)
Total salaries and wages	2,030,499	2,025,499	1,923,661	101,838
Other general expenditures:				
Employee benefits	1,012,697	1,036,467	960,851	75,616
Contractual services	124,000	126,480	136,541	(10,061)
Insurance	30,000	30,000	32,592	(2,592)
Computer services	33,000	32,500	28,639	3,861
Printed forms	16,000	22,000	22,291	(291)
Postage	25,000	23,000	23,974	(974)
General office supplies	33,000	34,500	50,734	(16,234)
Equipment leases	20,300	13,300	12,609	691
Equipment maintenance	20,000	15,000	8,390	6,610
Travel	6,200	4,600	4,530	70
Education and training	25,000	23,150	20,673	2,477
Jail, jury, and witness fees	81,100	88,600	86,750	1,850
Other supplies and expenses	41,000	45,600	39,039	6,561
Total other general expenditures	1,467,297	1,495,197	1,427,613	67,584
Occupancy				
Building rent	491,994	491,994	493,208	(1,214)
Utilities	115,000	104,000	98,066	5,934
Insurance	44,000	40,000	39,673	327
Building maintenance	113,000	105,500	97,954	7,546
Capital outlay	50,000	49,600	56,019	(6,419)
Total occupancy	813,994	791,094	784,920	6,174
Distributions to Local Units	223,382	223,382	523,754	(300,372)
Total expenditures	4,535,172	4,535,172	4,659,948	(124,776)
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ -

The Court's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Other Supplemental Information

State of Michigan 35th Judicial District Court

Schedule of General Fund Operating Revenue Received and Allocation of Expenditures to Local Units Year Ended December 31, 2006

	Fines and Fees Revenue	Allocated Shared Expenditures - Net of Probation, Interest, and Other Revenue	Jail, Jury, and Witness Fees Expenditures*	Distributions to Local Units**	Net Amount Held on Behalf of Local Units
Gross revenue/expenditures	\$ 4,659,948	\$ 4,049,444	\$ 86,750	\$ 523,754	\$ -
Less probation, interest, and other revenue	<u>1,128,883</u>	<u>1,128,883</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,531,065</u>	<u>\$ 2,920,561</u>	<u>\$ 86,750</u>	<u>\$ 523,754</u>	<u>\$ -</u>
Allocation by local units:					
City of Plymouth	\$ 342,533	\$ 239,956	\$ 13,508	\$ 35,000	\$ 54,069
Plymouth Township	452,567	347,680	8,144	35,000	61,743
City of Northville	202,795	155,212	3,883	15,000	28,700
Northville Township	678,100	470,025	15,435	80,000	112,640
Canton Township	<u>1,855,070</u>	<u>1,707,688</u>	<u>45,780</u>	<u>57,326</u>	<u>44,276</u>
Total	<u>\$ 3,531,065</u>	<u>\$ 2,920,561</u>	<u>\$ 86,750</u>	<u>\$ 222,326</u>	<u>\$ 301,428</u>

Net operating expenditures of the Court are allocated to the local units of government supporting the Court on the basis of case-load distribution set forth as follows:

Local Units	Number of Cases Attributable	Percent of Total	Net Operating Expenditures Allocations
City of Plymouth	3,446	8.22	\$ 239,956
Plymouth Township	4,993	11.90	347,680
City of Northville	2,229	5.31	155,212
Northville Township	6,750	16.10	470,025
Canton Township	<u>24,524</u>	<u>58.47</u>	<u>1,707,688</u>
Total	<u>41,942</u>	<u>100.00</u>	<u>\$ 2,920,561</u>

* Jail, jury, and witness fees were allocated on a specific identification basis.

** The distribution to Canton Township represents an allocation of prior year's overpayment.

May 24, 2007

To the Honorable John E. MacDonald,
Honorable Ronald W. Lowe, and
Honorable Michael J. Gerou
State of Michigan 35th Judicial District Court
660 Plymouth Road
Plymouth, MI 48170

Dear Judges:

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standards (Statement on Auditing Standards Number 112, referred to as SAS 112) require us to inform you about any matters noted in your accounting procedures or internal controls that the new auditing standards define as a significant deficiency. The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency. For example, the requirements of SAS 112 go so far as to classify certain journal entries proposed by your auditor as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have provided our comments and observations as part of a meeting or discussion at the end of our work directly to management. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the financial statements of 35th Judicial District Court (the "Court") and the 35th District Courthouse Authority (the "Courthouse Authority") for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Court's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following to be significant deficiencies in internal control:

- As discussed in previous years, a number of employees had access to signature stamps with the judges' signatures in their possession during the first half of the year. With access to the signature stamps, it is possible to write a check and use the signature stamps instead of obtaining proper signatures from the individuals. We understand that subsequent to June 2006, the signature stamps were locked up within the clerks' desks, who utilize the stamps on a regular basis.
- Journal entries were required during the audit to ensure that the financial statement presentation was in conformity with accounting principles generally accepted in the United States of America.
- The Governmental Accounting Standards Board has determined that a governmental entity's financial statements should include a management's discussion and analysis, which is an analysis of the governmental entity's financial performance for the year. The Court and Courthouse Authority have omitted this supplemental information from their financial statements.

In addition to the above, we consider the following to be control deficiencies:

- Currently, the controller prepares the monthly bank reconciliations with no oversight or review by the court administrator. Although there are other controls in place, including the review of a listing of all checks before they are written and dual signature required on all checks, we recommend the court administrator review all bank reconciliations and acknowledge her review by initialing and dating them once reviewed.
- There is an unreconciled difference between both the detailed bond payable listing and the detailed trust payable listing and the amount recorded on the general ledger. The Court should reconcile to the bond payable listing and the trust payable listing on a monthly basis and adjust the general ledger when necessary.

To the Honorable John E. MacDonald,
Honorable Ronald W. Lowe, and
Honorable Michael J. Gerou
State of Michigan 35th Judicial District Court

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May 24, 2007

Other Accounting Issues

In addition to the above, as a result of our audit, we have identified additional other matters that we would like to communicate to you. These matters are not considered control or significant deficiencies.

- The December bank reconciliations for the depository and general operating accounts did not tie out to the general ledger balance at year end. Subsequent to the bank reconciliations being completed, journal entries were made that affected the cash balance as of December 31, 2006. The Court should update bank reconciliations after journal entries that affect the cash balance are made.
- We noted that there are a number of old outstanding checks on the bank reconciliations. It is our understanding that the escheating process has begun in the current year. We commend the Court for beginning this process and recommend that it continue with its efforts to “clean up” the bank reconciliations.
- It was noted during our audit that no one reviews the controller’s journal entries before they are posted into the general ledger. Although we understand the board reviews the financial statements quarterly, we recommend that the Court enhance its current controls by having an individual outside of the accounting function review and initial all journal entries initiated and posted by the controller.

We would like to thank you and your staff, particularly Debra Kubitskey and Pam Avdoulos, for the courtesy and cooperation extended to us during the course of our audit. If you have any further questions regarding the above comments or would like assistance in their implementation, please feel free to contact us.

To the Honorable John E. MacDonald,
Honorable Ronald W. Lowe, and
Honorable Michael J. Gerou
State of Michigan 35th Judicial District Court

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May 24, 2007

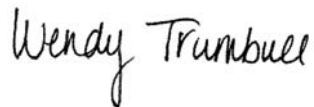
This report is intended solely for the information and use of the judges, the board of directors, management, others within the organization, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "David H. Helisek". The script is cursive and fluid.

David H. Helisek

A handwritten signature in black ink, appearing to read "Wendy N. Trumbull". The script is cursive and fluid.

Wendy N. Trumbull